

London Borough of Havering and Pension Fund

Annual Audit Letter for the year
ended 31 March 2018

August 2018



Building a better
working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

We are required to issue an annual audit letter to London Borough of Havering (the Council) and Havering Pension Fund (the Pension Fund) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council and Pension Fund's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council and Group and Pension Fund as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report. We identified some minor differences between the WGA return and the Council's accounts. The Council amended the WGA to correct these differences.



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 26 July 2018
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	<p>We issued our audit completion certificate on 30 August 2018.</p> <p>Our audit certificate was issued after our audit opinion and value for money conclusion as we did not complete the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack until 30 August. We were satisfied that this work did not have a material effect on the financial statements or on our value for money conclusion and therefore were able to issue these on 31 July 2018.</p> <p>We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of [name of Pension Fund]. We also issued this consistency opinion on 31 July 2018.</p>

In December 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council and Pension Fund staff for their assistance during the course of our work.

Debbie Hanson
Executive Director
For and on behalf of Ernst & Young LLP



02

Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council and Pension Fund.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Reports to the 30 July 2018 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plans we issued on February 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements, including the pension fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council and Pension Fund Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on July 2018. Our detailed findings were reported to the 26 July 2018 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Misstatements due to fraud or error <p>There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p> <p>For the Council, we identified the potential for the incorrect classification of revenue spend as capital as a particular area where there is a risk of fraud in revenue recognition.</p> <p>We focused on aspects of the Council and Pension Fund financial statements where management could inappropriately inflate income or understate expenditure, primarily:</p> <ul style="list-style-type: none">➤ Material accounting estimates.➤ Accruals near year end➤ Journal entries.➤ Unusual transactions.	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested journals that met our criteria and tested these to supporting documentation.</p> <p>We considered the accounting estimates relating to pensions and property valuations as the most susceptible to bias. We challenged the significant assumptions in the actuarial pension valuation and found no indication of management bias in these estimates. Our work on the property valuations found no material errors in the balances presented within the financial statements.</p> <p>We performed sample testing on additions to the property, plant and equipment balance and found that these items met the relevant accounting requirements to be capitalised. Our testing did not identify any expenditure which had been inappropriately capitalised.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's or Pension Fund's normal course of business.</p> <p>Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the Authority or Pension Fund financial position or that management has overridden controls.</p>

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
Valuation of land and buildings <p>Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>	<p>We are satisfied that the Council's valuers have the necessary qualifications and experience. We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's property,</p> <p>We considered the underlying assumptions made by the expert valuer and concluded that they were reasonable.</p> <p>We noted that the valuation of schools increased significantly in 2017/18, rising from a gross book value in 2016/17 of £323 million, to £523 million in 2017/18 (an overall increase of £200 million).</p> <p>We confirmed that the significant increase in the value of these assets arose from a change in approach adopted to the valuation of land by the Council's valuer. In previous years, the Council's valuer had estimated the value of the land as a percentage of the value of the building. We reported that elements of the Council's specialist's approach to valuation were formulaic. We were, however, able to confirm that overall the combined valuation of the land and buildings was within the acceptable range determined by our own valuers, albeit at the lower end of this range.</p> <p>We note that the approach adopted by the Council's valuer in relation to land this year is improved and takes into account the actual size of the land, the split between developed and undeveloped land, and market values within the London Borough of Havering. As we did in the prior year, we engaged our expert valuer to consider the underlying assumptions made by the Council's valuer, and we were able to conclude that the revised approach to the valuation of land was reasonable and that the valuations fell within an acceptable range. We note that there is a significant amount of subjectivity in relation to the valuation of land for schools, which results in a wide range for these valuations.</p> <p>We considered the Council's assessment of whether the significant year on year change in the value of land associated with schools gave rise to an error in the prior period, and whether, therefore a restatement of prior period amounts was needed. We agreed with the Council's assessment that the change in basis of valuation constituted a change in estimation technique, and did not, therefore requirement a restatement of prior period amounts. The Council has agreed to add some additional narrative disclosures around the reasons for the significant change in value.</p> <p>We also engaged our valuer to test the valuation of the school buildings. We noted that the approach adopted by the Council's valuer was unchanged from the previous year, with obsolescence being capped at 50%. This implies that the residual value of a building will never fall below 50% of the cost of a modern equivalent as long as the asset remains in use. We disagree with this assumption, and consider that this is likely to result in an overstatement of values for older buildings. Again we noted that our own valuers provided a wide range of values due to the judgement involved in making an assessment of remaining life of these assets.</p> <p>Taking into account all the assumptions made in determining the valuation of these combined land and building assets, we have been able to conclude that overall, the Council's valuation of these assets is within the acceptable range determined by our valuer, although we would note that the values are at the top of a wide range of possible values and that the range of values is wide as a result of the level of subjectivity and judgements applied in these valuations.</p>

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p>Pension liability valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary. As with other councils, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk</p>	<p>We assessed and were satisfied with the competency and objectivity of the Council's actuary. EY Pensions team and PwC (Consulting Actuary to the NAO) reviewed the work of the actuary. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate.</p> <p>We have received reports from the Havering Pension Fund Auditor and the EY actuarial team.</p> <p>The Council's draft financial statements were prepared on the basis of IAS19 data and assumptions taken at December 2017, with a forecast of the 31 March 2018 position of the Fund. Havering Pension Fund's draft financial statements include an up to date estimate of the asset values within the fund at 31st March 2018. This figure is £28.7 million higher than the value reflected in the Council's estimate of its pension liability, reflecting an improvement in market conditions. The Council's share of this difference in estimate is £24 million.</p> <p>As this difference is above our audit materiality, the Council obtained from its actuary an updated IAS19 report. The updated report showed a reduction in the Council's pension liability of £23.9 million. The Council have reflected this change in its financial statements.</p> <p>The accounting entries and disclosures are in line with our expectations and the Code.</p>

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p>Group financial statements</p> <p>At the point we presented our Audit Planning Report to Members, we indicated that the Council was likely to have entered into a Joint Venture arrangements for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close, and 12 housing estates within the Borough. The Council subsequently entered into these arrangements after 31 March 2018.</p> <p>We nevertheless considered whether any transactions or balances relating to these joint venture arrangements should be consolidated within its group financial statements, having regard to both the relative size of the joint venture to the group (quantitative criteria), and the specific nature or circumstances of the joint venture (qualitative criteria).</p>	<p>We reviewed the Council's assessment of whether or not to consolidate any transactions or balances relating to the joint venture arrangements</p> <p>The Council concluded that while in future years the three joint venture companies will require consolidation in the Council's financial statements, as no material transactions arose in 2017/18, the Council has not reflected these joint venture arrangements within their 2017/18 financial statements. The Council have, though, drawn attention to these arrangements in their Narrative Report.</p> <p>We are satisfied with this conclusion and the disclosures in the accounts.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning materiality	<p>We determined planning materiality to be £9.8 million (2016/17: £11.2 million), which is 2% of gross expenditure reported in the accounts of £490 million. We used the same materiality level for our audit of the Pension Fund.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council. For the pension fund we consider net assets to be one of the principle considerations for stakeholders, but have used the materiality level set for the overall financial statements as this is lower than the level calculated using 2% of net pension fund assets</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £490k (2016/17: £563k). We have again used the same level for the pension fund.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits:
- Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

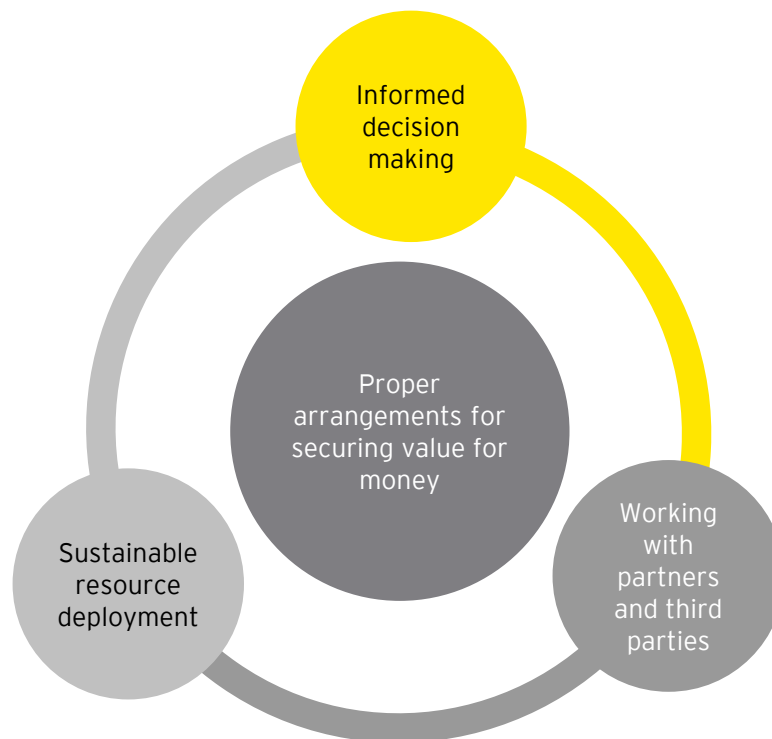


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified one significant risks around these arrangements, related to the establishment of a Joint Venture for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close, and 12 housing estates within the Borough.

We have performed the procedures outlined in our Audit Plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people

We therefore issued an unqualified value for money conclusion on 31 July 2018.

Value for Money (cont'd)

Significant Risk	Conclusion
<p>Establishment of Joint Venture</p> <p>The Council has entered into a Joint Venture arrangement for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close, and 12 housing estates within the Borough.</p> <p>Funding these schemes will commit the Council to significant levels of borrowing. Given the significance and importance of these decisions to the Council's strategic, operational and financial priorities, the effectiveness of the governance and risk management arrangements related to these key decisions are crucial.</p> <p>Key issues that should be addressed as part of these arrangements include:</p> <ul style="list-style-type: none">• Clear and robust decision making, including consideration of legal powers.• Exploration of options, costs and benefits.• Treasury management and prudential borrowing considerations.• Identification and mitigation of risks.• How the Council identified and secured appropriate expertise and resource to support its decision making.	<p>We have assessed the arrangements in place supporting the Joint Venture, focusing on:</p> <ul style="list-style-type: none">• Assessing the governance and financial and risk management arrangements in place to support key decision making• Understanding the financial implications and the key decisions being made• Understanding how the Council is working with other bodies and partners in relation to these projects. <p>We have not identified any issues in the review of the arrangements in place.</p> <p>We are therefore satisfied that the information provide to Members and Officers in respect of the joint venture arrangement is appropriate and is based on third party assessments and advice from appropriately knowledgeable professionals with relevant experience.</p>



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report. We identified some minor differences between the WGA return and the Council's accounts. The Council amended the WGA to correct these differences.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.



Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>The Council's view is that the impact of this standard on the Authority's financial statements will be immaterial. The Council will need to keep this standard under continued focus during 2018/19 because statutory overrides may be introduced by Central Government.</p>
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>Given the nature of the Council's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the financial statements of the Council. The vast majority of the Council's income streams are taxation or grant based, and are therefore outside the scope of IFRS15.</p> <p>The following income streams which are within the scope of IFRS 15 may be considered material by the Council in making its assessment of the impact on IFRS 15 in its 2018/19 accounts:</p> <ul style="list-style-type: none"> • fees and charges for services under statutory requirements, .g. application fees for taxi licenses or planning fees; • sale of goods provided by the authority e.g. retail sales at leisure centres, concessionary sale at local authority theatres; and • charges for services provided by a local authority e.g. maintenance for council dwellings or transport fares



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



08

Audit Fees

Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 26 July 2018 Annual Results Report.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Proposed Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work - audit of Council and Group accounts and value for money conclusion	TBC**	160,344	151,844	172,702*
Audit work - Certification of grant claims and returns (housing benefit subsidy)	TBC***	15,080	15,080	16,178
Audit Work - Code work O audit of the Pension Fund	21,000	21,000	21,000	21,000

* The proposed final fee for 2016/17 includes a proposed variation of £20,858 to the PSAA scale fee of £151,844. This arises from the additional procedures we undertook in relation to:

- The valuation of property, plant and equipment;
- The consolidation of balances relating to Mercury Land Holdings;
- Obtaining transaction listings to support amounts disclosed in the Council's financial statements; and
- The Council's Whole of Government Accounts submission.

Further information on the additional procedures we undertook are included in our 2016/17 Audit Results Report. This report was presented to the September 2017 meeting of the Audit Committee. We have agreed the additional fee with the Council and the variation is currently being considered by PSAA Ltd.

** As reported in our Audit Planning Report, the 2017/18 planned fee did not include the additional audit fee in relation to the work required to address the significant value for money risk, or our consideration of the transactions and balances consolidated in respect of the Council's wholly owned subsidiary, Mercury Land Holdings. The estimated fee for this work is £8,500. As noted elsewhere within this report, we undertook additional work to test the significant movement in the valuation of Schools. The estimated additional fee for this work is £7,500. These fee variations are subject to agreement by management and then approval by PSAA.

*** We will complete our work on the Council's Housing Benefit subsidy claim during September and October 2018. We will confirm our final fee for that work following the conclusion of our work on that claim.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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